

November 1, 2002

PROCUREMENT DIRECTIVE NO. 2002-04

TO: All Chief Procurement Officers
All Executive Department Heads

FROM: Aaron S. Fujioka, Administrator
State Procurement Office

SUBJECT: Guidelines for Small Purchase Procurements

Procurement Directive No. 2001-01, dated February 27, 2001 is rescinded and replaced by this Directive No. 2002-04, effective December 1, 2002.

A small purchase is a procurement for goods, services, or construction, of less than the dollar limit of §103D-305, HRS, currently \$25,000, pursuant to the following:

- ◆ §103D-305, HRS, Small Purchase.
- ◆ Subchapter 8, chapter 3-122, HAR, Small Purchase.
- ◆ §3-131-2, HAR, Parceling.

The small purchase procurement process allows purchasing agencies the flexibility to obtain goods, services, and construction expeditiously, without having to follow a competitive sealed process. However, small purchase procedures do require competitive price quotes, and a determination of best value to make an award, except in the case of construction where the award is made to the low offeror.

Small purchases shall not be parceled by dividing the purchase of same, like, or related items of goods, services, or construction into several purchases of smaller quantities during any twelve-month period, to evade the competitive sealed process. Section 3-131-2, HAR, addresses parceling, how to determine whether a competitive sealed process is required, and if consolidation of requirements is appropriate.

The agency's term of contract must be determined before deciding to use small purchase procedures. In the following examples small purchases are allowable:

- Example 1: Term of contract is 1 year and the contract amount is within the small purchase threshold.
- Example 2: Term of contract is 1 year with 2 options to extend, and the total contract amount for the 3-year contract term is within the small purchase threshold.
- Example 3: Term of contract is for a multi-term period, pursuant to §3-122-149, HAR, and the total contract amount for the entire multi-term period is within the small purchase threshold.

However, should the total contract amount in the examples above exceed the small purchase threshold, then the procurement must follow a competitive sealed process.

GUIDELINES FOR SMALL PURCHASES

Conditions for use. Expenditures less than \$25,000 for goods, services, or construction, shall be made in accordance with the following procedures below. Expenditures made pursuant to these procedures do not require public notice or public bid openings. Contracts for professional services of less than \$25,000 may be procured pursuant to this directive or subchapter 7, HAR. Unless otherwise exempt, purchasing agencies delegated small purchase authority shall also comply with state procurement office price lists or other chief procurement officer price lists, where applicable.

Small purchases shall not be parceled by dividing the purchase of same, like, or related items of goods, services, or construction into several purchases of smaller quantities, so as to evade the statutory competitive bidding requirements. For additional details, refer to chapter 3-131, HAR.

Preferences pursuant to chapter 3-124, HAR, shall not apply to small purchases.

Goods and Services

Expenditures with an estimated total cost that is at least \$15,000 but less than \$25,000:

- (1) Insofar as it is practical and based on the agency's specifications, adequate and reasonable competition of no less than three written quotations shall be solicited; and
- (2) Considering all factors, including but not limited to quality, warranty and delivery, award shall be made to the vendor with the most advantageous quotation.

Expenditures with an estimated total cost that is at least \$5,000 but less than \$15,000:

- (1) Insofar as it is practical and based on the agency's specifications, adequate and reasonable competition of no less than three quotations shall be solicited; and
- (2) Considering all factors, including but not limited to quality, warranty and delivery, award shall be made to the vendor with the most advantageous quotation.

Expenditures with an estimated total cost that is less than \$5,000 shall be by procedures established by each chief procurement officer.

Construction

Expenditures with an estimated total cost that is at least \$15,000 but less than \$25,000:

- (1) Insofar as it is practical and based on the agency's specifications, adequate and reasonable competition of no less than three written quotations shall be solicited; and
- (2) Award shall be made to the vendor submitting the lowest quotation.

Expenditures with an estimated total cost that is at least \$5,000 but less than \$15,000:

- (1) Insofar as it is practical and based on the agency's specifications, adequate and reasonable competition of no less than three quotations shall be solicited; and
- (2) Award shall be made to the vendor submitting the lowest quotation.

Expenditures with an estimated total cost that is less than \$5,000 shall be by procedures established by each chief procurement officer.

Procurement File

All quotations received shall be recorded and placed in a procurement file. When three quotations are required but are not obtained, e.g., insufficient sources, sole sources, emergencies, the reason shall be recorded and placed in the procurement file. The file shall also include a written justification when award is made to other than the vendor submitting the lowest quotation.

Should you have any questions, please contact me at (808) 587-4700 or your staff may contact Justin Fo at (808) 586-0577 or Ruth Yamaguchi at (808) 586-0567. Thank you.